FGIC

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FGIC CORPORATION ANNOUNCES QUARTERLY RESULTS
FIRST QUARTER NET INCOME OF $49.4 MILLION, UP 41%

$84.4 million of Gross Premiums Written, up 50%
Adjusted Gross Premiums Written[1] of $105.8 million, up 38%

May 5, 2005 - New York, NY – FGIC Corporation, the holding company of Financial Guaranty Insurance Company (FGIC), announced today that its net income for the quarter ended March 31, 2005 was $49.4 million, a 41% increase from net income of $35.1 million for the quarter ended March 31, 2004.

Frank J. Bivona, CEO, noted, "We have started this year on a very positive note with our key indicators, particularly net income and premium production, growing at double digit rates."

"What's most notable for this quarter, as well as all of 2004," Mr. Bivona added, "is the substantial progress FGIC has made in growing and diversifying our business. We have expanded our product base to include a broader variety of asset classes in the structured finance and public finance businesses. We have also had success internationally, closing several transactions and building a pipeline of future business out of our new London office. I am very pleased with the results, which were achieved in less than optimal market conditions. Our success is underpinned by our 22-year franchise, our low-risk insured portfolio and our experienced staff across the board."

Supplemental Income Statement Information

In addition to net income, which is computed in accordance with accounting principles generally accepted in the United States of America (GAAP), FGIC provides supplemental information for research analysts and investors. Earnings measures, as reported by research analysts, typically exclude net gains and losses from sales of investment securities. Research analysts may further exclude the effect on earnings of premiums that have been accelerated because the guaranteed bonds have been refunded, called or otherwise accelerated (accelerated premiums). Table I provides the breakout of these additional items for the first quarters of 2005 and 2004.

[1] "Adjusted Gross Premiums Written" is a non-GAAP performance measure; see "Non-GAAP Performance Measures" below for further information.

Table I
Net Income

$ millions

	1Q 2005	1Q 2004	% Change
Net Income	$49.4	$35.1	+41%
Less: Net income effect of net realized gains and losses	0.1	1.0	-90%
	$49.3	$34.1	
Less: Net income effect of accelerated premiums earned	8.6	1.1	+682%
	$40.7	$33.0	

Book Value and Adjusted Book Value [2]

At March 31, 2005, stockholders' equity equaled $1.93 billion, an increase of 1% from stockholders' equity of $1.92 billion at December 31, 2004. Adjusted book value (ABV), which adjusts the Company's equity to add the impact of deferred income from business previously generated, net of expenses and taxes, increased 1% over the same period to $2.66 billion at March 31, 2005, from $2.63 billion at December 31, 2004. As of December 31, 2003, ABV was $2.33 billion. The following shows the increase in ABV between December 31, 2004 and March 31, 2005, as well as the increase between December 31, 2003 and December 31, 2004.

$ millions

	Mar 31, 2005	Dec 31, 2004	% Change
ABV	$2,663.6	$2,627.9	1%

	Dec 31, 2004	Dec 31, 2003	% Change
ABV	$2,627.9	$2,330.2	13%

[2] ABV is a non-GAAP performance measure; see "non-GAAP Performance Measures" below for further information.

NEW BUSINESS PRODUCTION

Adjusted Gross Premiums Written[1]

Since December 2003, FGIC has expanded into bond and asset securitization types that, while not new to the financial guaranty industry, had not been part of FGIC's recent business model. As a result of this expansion, FGIC has seen a substantial increase in adjusted gross premiums written in its major business product lines, public finance and structured finance. In the first quarter of 2005, FGIC experienced solid demand for our product in both the public finance and structured finance markets, although the tight credit spread environment did impact the effectiveness of insurance in the structured finance sector. We also look to our international business as an increasingly significant component of adjusted gross premiums written. We saw tangible evidence of this in the first quarter, closing international deals in both the structured finance and infrastructure arenas and receiving our first mandate for a Private Finance Initiative (PFI) deal in the UK. Table II breaks down adjusted gross premiums written for public, structured and international finance for both the first quarters of 2005 and 2004.

Table II
Adjusted Gross Premiums Written [1]

$ millions

	1Q 2005	1Q 2004	% Change
U.S. Public Finance	$ 75.7	$49.1	+54%
U.S. Structured Finance	21.3	27.7	-23%
International Finance	8.8	-	NA
Total	$105.8	$76.8	+38%

REVENUE ANALYSIS

Gross Premiums Written
Gross premiums written for the quarter ended March 31, 2005 were $84.4 million, a 50% increase from $56.4 million for the quarter ended March 31, 2004. For public finance, gross premiums written in the quarter were $58.5 million, a 22% increase from $47.9 million in 2004. The increase reflected FGIC's move into additional bond sectors and an emphasis on more profitable types of transactions within the public finance markets. Structured finance gross premiums written in the quarter were $13.0 million, growing 53% from $8.5 million in the comparable quarter of 2004 and reflecting FGIC's growth in consumer asset-backed and mortgage-backed securitizations, commercial structured deals and CDOs. International finance/global utilities gross premiums written in the first quarter of 2005 were $12.9 million, growing 95% from $6.6 million in the first quarter of 2004. The 2005 quarter included FGIC's first new issue international transaction since reopening the UK office in 2004.

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[1] "Adjusted Gross Premiums Written" is a non-GAAP performance measure; see "Non-GAAP Performance Measures" below for further information.

Net Premiums Written
Net premiums written for the quarter ended March 31, 2005 were $82.6 million, an increase of 54% from net premiums written for the quarter ended March 31, 2004 of $53.6 million. For the quarter ended March 31, 2005, gross premiums written were offset by $1.8 million in ceded premiums. For the comparable period in 2004 ceded premiums were $2.7 million.

Net Premiums Earned
Net premiums earned for the quarter ended March 31, 2005 were $52.6 million, a 69% increase from net premiums earned of $31.2 million for the quarter ended March 31, 2004. Scheduled net premiums earned in the quarter for public finance (earned premiums excluding accelerated premiums from refundings or calls) were $25.7 million, a 20% increase from scheduled net premiums earned in the first quarter of 2004. Structured finance earned premiums in the first quarter of 2005 were $13.4 million, a 65% increase from 2004. The growth in public finance scheduled earned premiums stemmed largely from the increase in premiums written during 2004, when FGIC broadened the types of deals it underwrites in the public finance market and focused more on higher return transactions. Because premiums are earned over the life of the transaction, the full impact of new business written is not felt until later periods. Similarly, the increase in structured finance earned premiums reflected the increase in business production for prior periods, particularly 2004.

Accelerated premiums for the quarter ended March 31, 2005 were $13.5 million, compared to accelerated premiums for the comparable period in 2004 of $1.7 million.

Investment Income
For the quarter ended March 31, 2005, net investment income was $27.9 million, a 23% increase from net investment income for the quarter ended March 31, 2004 of $22.7 million. The increase stemmed primarily from growth in the investment portfolio, from net operating cash flows. The GAAP book yield on the portfolio is currently 3.6%. We expect this figure to grow as we invest cash flows in a higher interest rate environment.

Net Realized Gains/Losses
For the quarter ended March 31, 2005, the Company recognized a net gain on its investment portfolio of $0.1 million. For the quarter ended March 31, 2004, net realized gains were $1.5 million.

EXPENSE ANALYSIS

Underwriting and Other Operating Expenses
Underwriting and other operating expenses for the quarter ended March 31, 2005 were $13.7 million, a 59% increase compared to expenses for the quarter ended March 31, 2004 of $8.5 million. The increase resulted primarily from higher compensation costs related to the key hiring of experienced professionals in FGIC's business lines, including the staffing of the London office, and in its corporate staff. It is expected that expense growth rates and the expense ratio will moderate over time as the business grows.

Loss Expenses
Loss expense represents expenses associated with impaired insured credits. Loss expense increases when there is deterioration relating to credits within the impaired portfolio and declines, or may be negative, if there are improvements in credits within the various impaired list categories.

For the quarter ended March 31, 2005, loss expenses were $(2.6) million compared to $0.7 million for the comparable period of 2004. The negative loss amount in the first quarter of 2005 was due primarily to the improvement of certain public finance credits during the quarter, partially offset by some deterioration in certain structured finance credits.

Interest Expense
The Company issued $250 million of 6% Senior Notes in January 2004 and an additional $75 million of the Notes in December 2004. For the quarter ended March 31, 2005 interest expense for the Notes was $4.9 million. For the quarter ended March 31, 2004 the interest expense was $3.4 million.

BALANCE SHEET ITEMS

Assets
Total assets as of March 31, 2005 were $3.45 billion. This represented a 1% increase from total assets of $3.42 billion as of December 31, 2004. The increase largely reflects the Company's net income for the first quarter of 2005.

Investment Portfolio
At March 31, 2005 the market value of the Company's investment portfolio was at $3.17 billion. The portfolio had an average credit quality of 'AA', based on Standard & Poor's ratings, and no investment was rated below 'A'.

ADDITIONAL INFORMATION

Claims Paying Resources
As of March 31, 2005 FGIC had total claims paying resources of $3.66 billion. This included capital and surplus of $1.17 billion, contingency reserves of $0.88 billion and an unearned premium and loss and loss adjustment expense reserves totaling $1.10 billion. Table III provides comparisons of claims-paying resources as of March 31, 2005 and at year-end 2004.

Table III
Claims Paying Resources
$ millions

	As of 03/31/05	As of 12/31/04
Qualified Statutory Capital	$2,056.8	$2,011.2
Soft Capital	300.0	300.0
Unearned Premiums and Loss Reserves	1,102.8	1,062.4
Present Value of Installment Premiums	199.5	192.0
Total Claims-Paying Resources	$3,659.1	$3,565.6

Insured Portfolio
As of March 31, 2005, FGIC had $243 billion in insured net par outstanding. Public finance transactions represented approximately 85% of the total portfolio while structured finance obligations accounted for the remaining 15%. Based on FGIC internal ratings, expressed in

industry terms, 81% of the insured portfolio had an underlying credit quality of "A" or better, with over 99% being rated investment grade.

<u>Non-GAAP Performance Measures</u>
As indicated above, we use a number of non-GAAP performance measures in discussing our financial results and performance. Management, investors and others consider these non-GAAP measures to be useful in understanding the Company's financial position and new business production. Investors routinely request this information and many of our competitors disclose it. However, these items are not promulgated in accordance with GAAP and should not be considered substitutes for GAAP measures.

Adjusted Book Value
Adjusted book value is defined as book value (shareholders' equity), plus the after-tax value of net unearned premium reserve less deferred acquisition costs, plus the after-tax present value of future installment premiums. Management considers ABV to be helpful in valuing the company, as it reflects income from business previously written that will be earned over time. The following provides a reconciliation of ABV to book value at March 31, 2005, December 31, 2004 and December 31, 2003.

$ millions

	As of		
	Mar 31, 2005	**Dec 31, 2004**	**Dec 31, 2003**
Adjusted Book Value	$2,663.6	$2,627.9	$2,330.2
Net Unearned premium reserve less deferred acquisition costs	(599.0)	(585.1)	(514.9)
Net Present value of future installment premiums	(129.7)	(124.8)	(72.2)
Book value	$1,934.9	$1,918.0	$1,743.1

Adjusted Gross Premiums Written
Adjusted gross premiums written is defined as gross upfront premiums written plus the present value of estimated installment premiums written on financial guaranty policies issued in the period (discounted at 5%). A reconciliation of adjusted gross premiums written to premiums written for current year results is included below:

$ millions

	1Q 2005	**1Q 2004**
Adjusted gross premiums written	$ 105.8	$ 76.8
Present value of installment premiums written on policies issued during the period	(34.4)	(28.9)
Gross up-front premiums written	71.4	47.9
Gross installment premiums written	13.0	8.5
Gross premiums written	$ 84.4	$ 56.4

Company Profile
FGIC Corporation is an insurance holding company whose wholly owned subsidiary, Financial Guaranty Insurance Company, provides credit enhancement on public finance and structured finance securities in the U.S. and internationally. Established in 1983, FGIC is one of the four leading monoline financial guarantors. FGIC typically guarantees the scheduled payments of principal and interest on an issuer's obligation. FGIC's financial strength is rated triple-A by Moody's Investors Service, Standard & Poor's and Fitch Ratings.

Cautionary Statement
This press release contains "forward-looking statements"- that is, statements related to future, not past, events. Forward-looking statements often address expectations and beliefs as to future performance, results and business plans. You should not place undue reliance on forward-looking statements because they are necessarily subject to risks and uncertainties, which could cause actual results and performance to differ materially from what is expressed or implied by our forward-looking statements. Among the factors that could cause our results or performance to differ are: (1) our ability to maintain our ratings; (2) our ability to execute our business plan and expand into new markets and asset classes; (3) competitive conditions and pricing levels; (4) legislative and regulatory developments within the United States or abroad, including the effect on us of new pronouncements by accounting authorities and changes in tax laws; (5) the level of activity within the national and international debt markets; (6) fluctuations in the economic, credit or interest rate environment in the United States or abroad; and (7) other risks and uncertainties that have not been identified by us at this time. Forward-looking statements are based upon our current expectations and beliefs concerning future events. We undertake no obligation to update or revise any forward-looking statement.

FGIC Corporation and Subsidiaries

Consolidated Balance Sheets

(Dollars in thousands, except per share amounts)

	March 31 2005	**December 31 2004**
	(Unaudited)	
Assets		
Fixed maturity securities, available-for-sale, at fair value (amortized cost of $3,037,522 in 2005 and $2,950,013 in 2004)	**$ 3,005,994**	$ 2,967,517
Short-term investments, at cost, which approximates fair value	**164,384**	181,700
Total investments	**3,170,378**	3,149,217
Cash and cash equivalents	**72,426**	74,578
Accrued investment income	**40,845**	36,935
Receivable for securities sold	**170**	–
Reinsurance receivable on losses	**2,789**	3,054
Prepaid reinsurance premiums	**104,914**	109,292
Deferred policy acquisition costs	**42,356**	33,835
Property and equipment, net of accumulated depreciation of $307 in 2005 and $164 in 2004	**2,351**	2,408
Prepaid expenses and other assets	**15,771**	12,601
Total assets	**$ 3,452,000**	$ 3,421,920
Liabilities and stockholders' equity		
Liabilities:		
Unearned premiums	**$1,068,927**	$1,043,334
Loss and loss adjustment expenses	**35,998**	39,181
Ceded reinsurance balances payable	**1,164**	3,826
Accounts payable and accrued expenses	**24,273**	37,286
Payable for securities purchased	**15,035**	5,715
Obligations under capital lease	**5,660**	6,446
Federal income taxes payable	**18,397**	7,658
Deferred federal income taxes	**24,282**	37,160
Debt	**323,334**	323,329
Total liabilities	**1,517,070**	1,503,935
Stockholders' equity:		
Senior Participating Mandatorily Convertible Preferred Stock, par value $0.01 per share; 2,500 shares authorized, 2,346 shares issued and outstanding at March 31, 2005 and December 31, 2004	**255,826**	251,575
Preferred stock, par value $0.01 per share; 47,500 authorized, none issued and outstanding	**–**	–
Common stock, par value $0.01 per share; 6,000,000 shares authorized, 2,402,830 shares issued and outstanding at March 31, 2005 and December 31, 2004	**24**	24
Additional paid-in capital	**1,435,261**	1,435,261
Unearned stock compensation	**(15)**	(45)
Accumulated other comprehensive (loss) income, net of tax	**(16,037)**	16,433
Retained earnings	**259,871**	214,737
Total stockholders' equity	**1,934,930**	1,917,985
Total liabilities and stockholders' equity	**$ 3,452,000**	$ 3,421,920

FGIC Corporation and Subsidiaries
Consolidated Statements of Income
(Unaudited)

(Dollars in thousands)

	Three months ended March 31 2005	2004
Revenues:		
Gross premiums written	**$ 84,404**	$ 56,395
Ceded premiums written	**(1,795)**	(2,746)
Net premiums written	**82,609**	53,649
Increase in net unearned premiums	**(29,976)**	(22,447)
Net premiums earned	**52,633**	31,202
Net investment income	**27,875**	22,647
Net realized gains	**122**	1,527
Other income	**426**	317
Total revenues	**81,056**	55,693
Expenses:		
Loss and loss adjustment expenses	**(2,611)**	664
Underwriting expenses	**20,519**	14,203
Policy acquisition costs deferred	**(10,671)**	(7,681)
Amortization of deferred policy acquisition costs	**2,149**	158
Other operating expenses	**1,726**	1,831
Interest expense	**4,875**	3,415
Total expenses	**15,987**	12,590
Income before income taxes	**65,069**	43,103
Income tax expense	**15,684**	8,002
Net income	**49,385**	35,101
Preferred stock dividends	**(4,251)**	(4,043)
Net income available to common stockholders	**$ 45,134**	$ 31,058